



USPB UPDATE

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However, initial overall demand for U.S. beef is soft as expected

Japanese Demand For Age Verified Product Is Solid

"Early reports from our international sales team suggest Japanese consumer demand for U.S. beef is soft as expected," Steve Hunt, USPB CEO, says. "However, initial signs are that demand for the limited supply of age verified product is good relative to the non-trace back (A-40) product. Our people are telling us they need additional AV cattle to adequately meet the current market demand."

"We're having to selectively serve the market right now," Peter Michalski, NBP manager of international research and special projects, explains. "In

other words, we're not able to provide enough **AV product** for all of the customers we were selling to, before the trade was stopped, because supply of the trace back product is limited.

"Our retail customers prefer the age verified product and are requiring that information accompany the product because their consumers want to know the age verification information is available," Michalski adds.

USPB continues to pay a \$25 per head premium on AV cattle. USPB is also currently paying an additional \$5 per head for AV cattle that are sched-

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USPB Announces 1st Quarter Results

Industry wide trends affect bottom line

The first quarter of fiscal year 2006 brought a continuation of the industry-wide trends that impacted the U.S. beef processing industry for much of 2005. "However, we are optimistic that USPB is in an excellent position to compete as one of the world's leading producers of beef products," Steve Hunt, USPB CEO, says. "Thanks in part to our unique producer-owned integrated platform, USPB continues to perform well relative to other beef processors."

During the quarter, our processing company increased sales partially due to an increase in the number of cattle processed at weights higher than the same period last year.

Boxed beef and beef product prices also improved relative to the same period in fiscal year 2005. However, cost of sales increased at a higher rate, due in part to an increase in live cattle prices, which was the result of a tighter supply of market-ready cattle during the first quarter.

That factor, combined with lower plant capacity utilization, contributed to a decline in gross margin and a net loss for the thirteen weeks ended November 26, 2005 of \$6.4 million, or \$9.25 per set of linked units (one Class A and one Class B unit).

Regarding cattle quality and grid premiums, USPB member cattle averaged a slightly lower percentage of Choice or better carcasses than in the previous quarter and a year ago. USPB's Market grid cattle were

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USPB Sets Meeting Schedule

Staff will discuss Age Verified program; cattle performance results

Mark your calendar to attend one of USPB's informational meetings this winter. USPB members and prospective members will learn how to earn premiums for delivering age verified cattle. Attendees will also learn how they can deliver a greater number of their cattle that will fit USPB's grids. USPB staff will also share recent car-

cass quality and Base and Market grid premium results.

These meetings are open to prospective members, so if you have a neighbor who would like to learn more about USPB, please invite them to attend. All meetings will start at **6:30 p.m. local time**. Look for more information in your February *UPDATE*. ♦

USPB INFORMATIONAL MEETING SCHEDULE

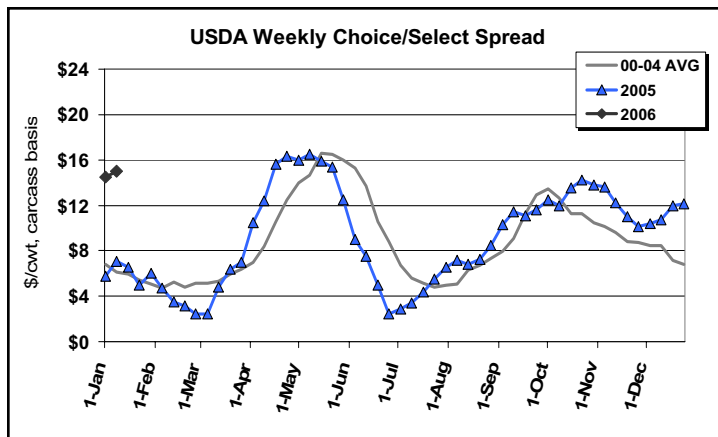
Feb. 21	McCool Junction, NE	Stone Creek Event Center
Feb. 22	McCook, NE	McCook Community Building
Feb. 23	Bridgeport, NE	Prairie Winds Community Ctr.
Mar. 7	Goodland, KS	Best Western Buffalo Inn
Mar. 8	Stockton, KS	Harding Hall 4-H Building
Mar. 9	Manhattan, KS	KSU Weber Hall
Mar. 28	El Dorado, KS	Butler County Community Bldg.
Mar. 29	Coldwater, KS	Coldwater Veterans Building
Mar. 30	Guymon, OK	Western Townsman Inn

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 ulated at least 30 days prior to delivery. To receive this extra \$5, members must deliver at least 90% of the number of Age Verified cattle they committed.

If you have cattle that may qualify for this program, please call our office at 866-877-2525 to get information on how to participate. Feedlots who have not been trained and approved as suppliers to NBP, should contact USBP **30 days before the expected cattle shipment date to schedule training.** ♦

USDA's Choice/Select Spread Starts 2006 Strong

USDA's Choice/Select spread widened in December and early January leading to increased premiums for higher quality grading carcasses. ♦



Did You Know...

✓ U.S. Premium Beef has extended its electronic identification tag rebate through the end of calendar 2006. Members marketing cattle through USBP with EID tags of any brand and purchased from any supplier can receive a rebate of \$1 per tag by submitting their USBP grade detail reports to USBP within 90 days of cattle delivery.

✓ If you need to lease delivery rights to market additional cattle, please call our office at 866-877-2525. ♦

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 responsible for decreasing the overall company average by approximately 2%. Yield Grade 4 percentage was slightly higher than previous quarter and year earlier levels. These trends occurred among all cattle harvested in Kansas plants during the same time periods. USBP Base grid cattle earned premiums of \$15.85 per head compared to \$20.11 per head on Market grid cattle. (See the table below.) ♦

USBP Benchmark Performance Data

Cattle Marketed Between 8/28/05—11/26/05				
(Numbers in Percent)	Base Grid		Market Grid	
	All	Top 25%	All	Top 25%
Yield	64.09	64.75	64.41	65.07
Prime	2.81	5.55	0.74	0.93
Choice	54.44	68.46	45.00	53.33
CAB	9.63	14.72	5.99	7.53
NAB	6.00	7.43	1.51	0.92
Black Hided	74.74	80.48	60.67	61.40
Ungraded	3.01	1.63	3.88	1.94
Hard Bone	0.59	0.33	0.64	0.51
YG1	6.44	4.56	11.57	9.94
YG2	31.20	26.83	37.49	35.99
YG3	45.66	49.66	39.61	42.20
YG4	14.65	16.56	10.28	10.72
YG5	2.05	2.39	1.04	1.16
Light Wt.	0.25	0.14	0.12	0.09
Heavy Wt.	2.04	2.24	1.89	2.00
QG Premium	\$11.94	\$29.87	\$7.70	\$18.32
Yld. Premium	\$11.06	\$26.02	\$11.19	\$27.11
YG P/D	-\$5.45	-\$6.84	\$1.04	-\$0.10
OW Discount	-\$3.01	-\$3.19	-\$2.76	-\$2.83
AV Premium	\$0.22	\$0.31	\$0.08	\$0.23
S/H Premium	\$1.09	\$1.16	\$2.86	\$3.15
Total Prem.	\$15.85	\$47.33	\$20.11	\$45.88
Equiv. Live	\$87.29	\$90.79	\$89.40	\$90.75
Equiv. Hot	\$136.22	\$140.24	\$138.79	\$141.02

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